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FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4401
INFO RUEAWJB/DEPT OF JUSTICE WASHDC PRIORITY
RUCNARF/ASEAN REGIONAL FORUM COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC
RUEILB/NCTC WASHINGTON DC
RUEHGP/AMEMBASSY SINGAPORE 6698

UNCLAS SECTION 01 OF 02 JAKARTA 000136

SENSITIVE
SIPDIS

DEPT FOR EAP, EAP/MTS, EAP/RSP, INR/EAP, S/CT FOR LONG,
INL FOR CARLON/BLOOMQUIST, EEB/ESC/TFS
DOJ FOR AAG SWARTZ, OPDAT FOR ALEXANDRE/BERMAN/HAKIM
NSC FOR J.BADER, D.WALTON
KUALA LUMPUR FOR G.CHAPMAN
TREASURY FOR IA, TFFC, OIA AND FINCEN
SINGAPORE FOR S.BLEIWEIS

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [PTER](#) [KCRM](#) [KJUS](#) [KTFN](#) [EFIN](#) [SNAR](#) [PHUM](#) [ASEC](#)
ID
SUBJECT: INDONESIAN FIU FEARS FATF SANCTIONS

11. (SBU) Summary: On January 21, Embassy RLA met with representatives of the Indonesian Financial Intelligence Unit (PPATK) to discuss concerns about a recent FATF review of the GOI anti-money laundering/counter terrorist financing (AML/CFT) regime. The PPATK interlocutors expressed concern that the review could lead to the imposition of sanctions at FATF's February meeting in Paris. Stressing that Indonesia had made and was continuing to make significant progress on deficiencies identified in the last FATF evaluation, the PPATK interlocutors requested Embassy RLA communicate this progress to Daniel Glaser, Deputy Assistant Secretary for Terrorism Financing and Financial Crimes, Co-Chair of FATF's International Cooperation Review Group (ICRG). They specifically pointed out that new anti-money laundering legislation had recently been redrafted to broaden the list of predicate offenses and that an interagency working group had rewritten Indonesia's terrorism financing law to address serious FATF concerns. End Summary.

12. (SBU) In July 2009, FATF advised Finance Minister Sri Mulyani Indrawati that Indonesia had been selected for a "targeted" ICRG review of its anti-money laundering/counter terrorist financing regime. The basis for FATF's decision was the GOI's failure to meaningfully address FATF's 16 core and key recommendations relating to the criminalization of money laundering and terrorism financing, customer identification and record keeping, and suspicious transaction reporting. A 2008 Mutual Evaluation Review of Indonesia conducted by the Asia Pacific Group resulted in findings of non-compliant or partially compliant on twelve of sixteen key and core FATF recommendations.

13. (SBU) In October 2009, an ICRG regional review group headed by Australia and Malaysia conducted an intensive review of the GOI's AML/CFT regime. The detailed report, issued on January 10, 2010, noted significant deficiencies continue to exist concerning key and core FATF recommendations, including the lack of an efficient mechanism to freeze terrorist assets, and vulnerabilities in the monitoring and regulation of the non-profit sector. The report criticized the lack of terrorism financing prosecutions, noting a lack of capacity among police and prosecutors to investigate and prosecute terrorism financing offenses. But the report also noted that since the MER, Indonesia had drafted new AML and Terrorism financing legislation to address FATF concerns and made other improvements relating to key and core FATF recommendations which had previously been rated non-compliant or partially compliant.

14. (SBU) Djoko Kurnijanto, PPATK Directorate of Inter-Agency Cooperation, Fithriadi Muslim, PPATK Directorate of Law and Regulation, and Said Imran, PPATK International Relations Officer asked Embassy RLA to advise Glaser, IRCG Co-Chair, that the GOI has taken urgent action to address the deficiencies identified in the 2008 MER review. Djoko stated that an inter-agency drafting team headed by PPATK had drafted a new terrorism financing bill to address FATF critiques of Indonesia's 2003 anti-terrorism law. This draft legislation, he noted, will soon go to the Ministry for Law and Human Rights and then to Parliament.

15. (SBU) Djoko also explained that the 2006 draft AML legislation had recently been withdrawn from Parliament and amended to further address FATF concerns. Specifically, the number of predicate offenses for money laundering has been increased to include all offenses punishable by more than one year in prison. Djoko anticipates the President will sign the draft legislation and return it to Parliament within the next three weeks. This new AML legislation is a priority and PPATK anticipates that it will be promulgated by the end of 2010. Djoko stated that government had nearly completed its survey of the NPO sector and is working with the U.K. Charity Commission on NPO regulation. He pointed out that additional efforts were underway to address deficiencies identified by FATF in wire transfers, alternate remittance methods and cross border cash and negotiable instrument couriers. Djoko concluded with a plea that Embassy RLA communicate these efforts to Glaser before the next FATF meeting in Paris in February.

17. (SBU) Comment: THE ICRG review is valuable in identifying continued deficiencies in its AML/CFT regime which Indonesia must address. The review should also accurately reflect the substantial

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efforts the GOI is undertaking to meet FATF standards. It is crucial that the GOI expedite the passage of the amended AML and the new CFT legislation. The threat of imposition of sanctions, however, is likely to undermine those in the GOI driving the effort to meet FATF standards. End Comment.

HUME